



**Request for Proposal
For
529 Program Management Services**

October 17, 2008

Vermont Student Assistance Corporation

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1. Purpose of RFP

The Vermont Student Assistance Corporation (“VSAC”) is soliciting proposals from financial services or similar firms to provide program management services for the Vermont Higher Education Investment Plan, the State of Vermont’s 529 college savings program (“VHEIP” or the “Plan”). These program management services include investment management, marketing, distribution, and administration and customer service (collectively referred to as the “Services”). VSAC is also interested in creative solutions to the challenges of saving for college and is committed to offering a compelling savings vehicle for its constituents. To that end, we welcome proposals from any entity with an interest in and commitment to saving for college.

2. VSAC Background

2.1 General Information

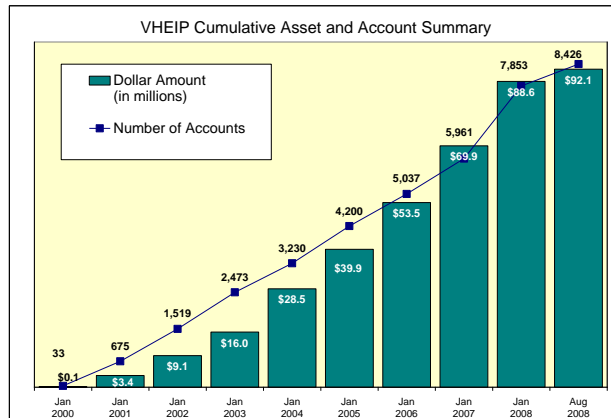
VSAC is a public nonprofit corporation chartered in Chapter 87 of Title 16, Vermont Statutes Annotated, as an instrumentality of the State of Vermont. VSAC is the premier provider of post-secondary information and financing in Vermont, in accordance with our mission to ensure that all Vermonters have the necessary financial and information resources to pursue their educational goals beyond high school.

VSAC provides a wide variety of coordinated services to Vermont students and families: Outreach programs for middle and high school youth and also adults; Vermont’s need-based grant program; scholarship administration; federal student loan guarantee, the origination and servicing of student loans; VHEIP, the State’s 529 college savings plan. VSAC also includes the affiliated Vermont Scholarship Fund, a 501(c) (3) corporation whose mission is to provide scholarships to Vermonters through gifts from philanthropic sources.

VHEIP is an important and growing component of our mission. The Plan is the 529 college savings plan established and maintained by the State pursuant to Section 529 of the Internal Revenue Code of 1986, as amended (“Section 529” and the “Code”, respectively) and Sections 2875 through 2879f, Chapter 87 of Title 16, Vermont Statutes Annotated¹ (the “Act”). The Plan has been managed since December 1999 by TIAA-CREF Tuition Financing Inc. (“TFI”) pursuant to a Management Agreement with VSAC that terminates in December 2009. The Plan is offered directly to the public by Teachers Personal Investors Services, Inc. and TIAA-CREF Individual & Institutional Services Inc. Today, the VHEIP investment options include the Managed Allocation Option, the 100% Equity Option and the Interest Income Option. TFI is the investment manager for the Managed Allocation and the 100% Equity Options, and VSAC is the investment manager for the Interest Income Option.

As of August 31, 2008, the Plan had \$92,118,712 in assets under management spread across 8,426 accounts. This represents an average account size of \$10,932. As shown in the following chart, VHEIP has enjoyed steady growth over the last few years, with accounts and assets growing by 29% and 18%, respectively, in the last year and a two-year total increase of 57% for both accounts and assets.

¹ See www.leg.state.vt.us/statutes/fullsection.cfm?Title=16&Chapter=087&Section=02877



In addition to the federal tax benefits associated with Section 529 college savings plans, VHEIP offers State tax benefits to Vermont taxpayers². Specifically, a Vermont taxpayer (or, in the case of a married couple filing jointly, each spouse) is eligible for a nonrefundable income tax credit of 10% of the first \$2,500 per beneficiary contributed to VHEIP in each taxable year (i.e., a nonrefundable income tax credit of up to \$250 per taxpayer per beneficiary). Pursuant to the [Vermont Department of Taxes Technical Bulletin](#) (TB-33), rollovers from another state's qualified tuition plan into VHEIP also are eligible for the tax credit to the extent the amounts were previously contributed to the other plan and provided the funds remain in VHEIP for the remainder of the taxable year in which the funds are rolled into VHEIP. In the event of a non-qualified withdrawal of funds that received a tax credit, tax credits will be repaid to the State.

In connection with this Request for Proposals (the "RFP"), VSAC seeks a partner that will complement its overall education and marketing efforts across the State, particularly its reputation for excellent customer service and its mission to provide the most comprehensive information possible about options for planning and paying for education and training. VSAC markets and promotes VHEIP in connection with the other student services it offers. We refer you to our "Saving for College" guide on our website³ for an example of the comprehensive information we provide to our constituents. Please note that VSAC receives no funding from the State Legislature for administration or marketing.

For more information about VSAC and VHEIP, visit our Web site at www.vsac.org. Please also see the 2007 VSAC Annual Report, which can be found on the VSAC website.⁴

2.2 VSAC Contact Information

Requests for additional information regarding VHEIP specifically or VSAC generally should be directed to Richard Westman as follows:

Mr. Richard Westman

VHEIP Program Director

802 655 9602 x 644

Westman@vsac.org

² See www.leg.state.vt.us/statutes/fullsection.cfm?Title=32&Chapter=151&Section=05825a

³ See "News and Info" on the "Save For College" page of the VSAC website (www.vsac.org) <http://services.vsac.org/ilwwcm/connect/VSAC/Save+for+College/>.

⁴ See "About Us" on the VSAC homepage (www.vsac.org); <http://services.vsac.org/ilwwcm/resources/file/eb8b8d0eccbf604/vsac%20annual%20report%2007%20as%20single%20pages.pdf>

3. Nature of Services Requested

3.1 Term of Engagement and Key Contractual Provisions

VSAC is soliciting the services of financial services or other qualified firms or entities to manage the direct-sold VHEIP for a five-year period that is expected to begin on or about December 1, 2009. The management agreement that will govern the delivery of Services (the "Management Agreement") is expected to include a two-year extension at VSAC's sole discretion. As set forth in Section 5.5(f) of this RFP, firms responding to this RFP ("Bidders") are asked to provide a draft Management Agreement for VSAC's consideration. Please note that upon execution the Management Agreement will include all key provisions of this RFP, including any amendments or clarifications to it, and the Bidder's written proposal, as it may be modified or clarified as well. Each bidder should note that the draft Management Agreement should include termination provisions covering breach and financial insolvency, as well as termination by VSAC upon 120 days' notice. In the case of the latter termination, VSAC will consider provisions that specify certain costs to be covered if the termination occurs prior to expiration of the initial term of the Agreement.

3.2 Scope of Services

VSAC specifically is seeking proposals from firms or other entities interested in serving as program manager (the "Program Manager") for the direct-sold VHEIP, which would be comparable to the structure of VHEIP today with one exception. VSAC plans to terminate the Interest Income Option that it currently manages and it seeks a replacement investment option from the Program Manager. We will welcome proposals to also provide an advisor-sold plan. The Program Manager that will be selected pursuant to this RFP will provide the following services:

- **Investment Management.** Investments in the direct-sold Plan must include low cost, easy-to-understand options that will appeal to a wide range of investors. VSAC is willing to offer more investment options than VHEIP currently includes as long as the additional choices presented do not confuse or over-complicate the analysis required by investors acting without financial advice. As mentioned above, VSAC also intends to eliminate the Interest Income Option but it seeks a similar option – to be managed by the Program Manager -- as an alternative, particularly since the assets in the Interest Income Option today will have to be converted to another investment. Additionally, VSAC seeks the flexibility to be able to change investment options during the term of the Management Agreement if Section 529 or general market conditions suggest that change would be beneficial to the Plan. If the Bidder also proposes an advisor-sold plan, the investments in that plan must be distinct from those offered in the direct-sold Plan. The Program Manager will manage investments as a fiduciary for both the account owners and VSAC, and will be expected to act in accordance with the investment principles that currently govern VHEIP. Finally, the Program Manager will be expected to provide consumer friendly quarterly investment performance reports (including a fourth quarter annual summary) in a timely manner to be agreed upon in the Management Agreement.
- **Marketing.** The Program Manager will be responsible for marketing the direct-sold Plan in-State and, as applicable, nationwide. VSAC, however, also will continue to market the direct-sold Plan as a component of its overall consumer education efforts. The Program Manager will coordinate on-ground marketing with VSAC and, where necessary, it will provide technical support and assistance for meetings and local presentations. The Program Manager will work cooperatively with VSAC to ensure that materials for the direct-sold Plan will target Vermont investors and will compliment the marketing "look and feel" already established in-State generally by VSAC and on

the website specifically. The Program Manager will manage and host the VHEIP website. As applicable, the Program Manager will create the look and feel it desires for a national marketing effort. The Program Manager will coordinate its marketing plans with VSAC and it will fund and implement the Plan's marketing campaign in Vermont and, if applicable, nationwide. Any marketing campaign will be subject to VSAC's approval and the Program Manager will be expected to provide benchmarks against which to judge the effectiveness of all marketing initiatives. Quarterly (and where applicable, monthly) marketing reports filed in a timely manner with VSAC will include the Plan's performance against mutually agreed upon marketing benchmarks.

- **Distribution.** The Program Manager will offer the direct-sold Plan directly to Vermont investors at a competitive cost via on-line enrollment and through a central mailing location. The Program Manager may distribute the direct-sold Plan nationwide if it so chooses. If the Program Manager also proposes to provide an advisor-sold plan, it will enter into selling agreements with in-State, regional and national third party distributors for distribution through a wide range of professional financial advisors.
- **Administration and Customer Service.** The Program Manager will manage the Plan in compliance with the Code, applicable federal and Vermont laws and regulations, including the Act, and the Management Agreement to be entered into with VSAC. The Program Manager will process all fulfillment requests and account activity on a timely basis, and provide state-of-the-art record keeping and exemplary customer service in accordance with terms and standards set forth in the Management Agreement. The Program Manager also will provide thorough information and reporting to VSAC on a regular and timely basis.
- **Plan Implementation.** In the event that this RFP results in a Program Manager that requires a transfer of VHEIP records and conversion of assets from TFI to a new Program Manager, then the Program Manager will be expected to work with TFI to ensure an orderly, efficient and timely transfer and conversion of assets and accounts. Going forward, the Program Manager will be expected to attract more investors by offering affordable, low cost investment options. And, as the Plan grows, VSAC expects that the costs associated with the Plan will be reduced as well.

As indicated in Section 1 of this RFP, VSAC is also interested in receiving proposals from entities that are committed to helping people save for college in any possible way. Non-financial services firms that respond to this RFP must be able to offer all services outlined in this Section 3.2, Scope of Services, as VSAC intends to continue to offer a Section 529 savings plan to its constituents. To that end, all respondents interested in providing program management services must respond to all questions included in Section 5.

3.3 Deliverables

In completing the Scope of Services outlined in Section 3.2., the Program Manager shall provide at least the following:

- Attend Finance Committee and Board meetings as requested to report upon quarterly results and to outline upcoming quarter activities.
- Provide quarterly and annual reports, including investment performance summaries, program demographics, and other Plan statistics determined by VSAC staff. Annual performance summaries should also include “peer group” comparisons so that VSAC can gauge relative performance by the Program Manager.
- Annually provide 1099Q forms required by the Internal Revenue Service and also any forms required by Vermont taxing or securities authorities. Forms are expected to be prepared on a timely basis to meet all information requirements for Plan participants.
- Provide an annual SAS-70 or other report satisfactory to VSAC regarding the internal controls and operating procedures of the Plan.

4. Format, Timeline and Other RFP Matters

4.1 Format

Proposals should be assembled and submitted in the most economical fashion possible, including double-sided copies. Each proposal must include the Cover Sheet included in **Exhibit 1** of this RFP and the Certifications included in **Exhibit 2**. VSAC requests that nine copies of your response – including all attachments specified in Section 5 of this RFP - be received in the following formats:

Electronically, via e-mail, to Richard Westman at Westman@vsac.org.

One original and eight printed copies (nine in total) to Mr. Westman at the following address:

Mr. Richard Westman, VHEIP Program Director
Vermont Student Assistance Corporation
10 East Allen Street
Winooski, VT 05404
802-655-9602

4.2 Submission Deadline

Complete responses must be submitted in the required formats in Section 4.1 above no later than 4pm EST on Tuesday, November 25, 2008 to be considered for selection.

4.3 Schedule of Events

The following represents a schedule of events relating to the RFP process and implementation of the plan:

<i>Due Date for proposals</i>	Tuesday, November 25, 2008 by 4pm
<i>Selected firm interviews, if necessary</i>	Week of December 15
<i>Tentative Contract Award</i>	Week of January 19
<i>Contract execution</i>	Week of March 9
<i>New Plan term begins</i>	December 1, 2009

Please note that VSAC may or may not seek or allow modifications to the information required pursuant to this RFP, and it may choose not to interview firms. Thus, Bidders should submit their best and final offers in the written response to this solicitation. Additionally, VSAC reserves the right to reject any or all bids.

4.4 Consortia Proposals

VSAC will accept proposals from individual firms or from consortia. Any consortium submitting a proposal must clearly identify each entity in the consortium, which services will be performed by each entity and the single entity which will sign the Management Agreement. That entity will be responsible for all Services under the Management Agreement. It will also be responsible for compliance with all applicable federal and Vermont Statutes and regulations.

4.5 Cost of Proposal

Proposals and other materials submitted will become the property of VSAC. The Vermont Student Assistance Corporation will bear no responsibility for the cost of proposal preparation.

4.6 Confidentiality

The Bidder or any related entities (as defined in Section 5), and/or its authorized dealers, representatives, or agents will not, without VSAC's prior written consent, advertise or publish the fact that it has contracted to furnish, are furnishing, or have furnished items or services in connection with the Management Agreement.

VSAC and each Bidder shall expressly agree that confidential information identified as such by either party obtained during the course of preparing a proposal or during performance under the Management Agreement shall not be divulged to any person or company outside of authorized representatives of either party except upon receipt of prior written approval of the other. Notwithstanding the preceding sentence, Bidders are on notice and by responding to this RFP will acknowledge and understand that VSAC, as an instrumentality of the State of Vermont, is subject to Vermont's freedom of information act laws, meaning that RFP responses may be a public document under those laws. In the event that VSAC receives a public document request for an RFP response, VSAC will assert the confidentiality of the materials to the extent permitted by the law, and will give prior notice of any disclosure to the affected Bidder(s). Each Bidder who responds to this RFP, and the Bidder who is selected to serve as Program Manager, agrees to be bound by VSAC's Customer Privacy Protection Requirements (see **Exhibit 4**).

4.7 Rejection of Proposals

The Vermont Student Assistance Corporation reserves the sole right to decide whether a proposal does or does not comply with the requirements of the RFP, to accept, reject or negotiate modifications in and terms of a Bidder's proposal or any parts thereof and also to waive any irregularity, informality, or non-compliance with or non-response to the RFP or any part thereof.

The Vermont Student Assistance Corporation reserves the right to accept and award the Management Agreement hereunder to other than the lowest cost Bidder. VSAC reserves the right not to make an award to any Bidder.

5. RFP Responses

Bidders are asked to respond to all Questions in Sections 5.1 through 5.6. Only Bidders also proposing advisor-sold plans need to complete Section 5.7. For purposes of Section 5.1, the term "related entity" means any subcontractor, or any partnership, corporation, limited partnership, limited liability company, joint venture, association and all other direct or indirect affiliations of the Bidder, entities that own the Bidder, and subsidiaries of the Bidder that could, in any reasonable capacity, affect the Plan or impact the investment options in the Plan.

5.1 Firm and Professional Staff Qualifications and Experience

5.1.1. Firm Integrity and Stability

- a. Please provide an overview of the Bidder's organization and capital structure. Please include copies of audited financial statements for the past three (3) years (as **Appendix 1**) and, if applicable, the most recent annual report for the last complete fiscal year, and filings for the current fiscal year, if any (as **Appendix 2**). Please also provide copies of the most recent audited financial statements for all proposed subcontractors (as **Appendix 3**).
- b. Please identify the entity that will sign the Management Agreement and identify all related entities that will provide Services to the Plan. If the Program Manager is not a parent entity, please indicate your willingness to provide a parent guarantee or propose a suitable alternative to ensure performance of the Services to be provided pursuant to the Management Agreement. Please note that the Program Manager will be responsible for all costs associated with Services provided by subcontractors and will be liable for any negligence or misconduct by the subcontractors.
- c. State whether there are any past or pending regulatory restrictions, consent orders, stipulations or litigation to which the Bidder or any related entity or any of their principals, owners, directors or officers, has ever been a party that would affect its ability to provide the required Services or which alleges any unfair, illegal or unethical business practice. If so, provide a detailed description of each.
- d. State whether any officers, principals, owners, directors and all proposed contract employees or any subcontractor that will provide any of the Services have ever been convicted of a felony, had adjudication of guilt withheld as to any felony, or pleaded no contest to any felony. If so, a detailed description of each incident must be included.
- e. State whether any penalties, fines or liquidated damages have ever been imposed against the Bidder or any related entity since January 1, 2003. If so, provide a detailed description of each such incident, including the amount of the penalty, fine or liquidated damages imposed.

- f. State whether the Bidder or any related entity has ever been involved in any threatened, pending, settled or adjudicated litigation with any qualified tuition program. If so, a detailed description of each action must be provided.
- g. State whether the Bidder or any related entity has ever been or is currently aware of or has reason to believe it is or will be the subject of an audit or inquiry by the Internal Revenue Service, the Securities Exchange Commission (including FINRA and the MSRB), by a Vermont regulatory or investigative agency or by any other federal or state regulatory or investigative agency in connection with its mutual fund business or a qualified tuition program. If so, provide a detailed description of each.
- h. Has the firm that will provide investment management services, or any related entity, or any owner, officer, director, principal, or management level employee of that firm been involved in an enforcement action by or had an audit inquiry from the Securities Exchange Commission or any other governmental (local, state, or federal) regulatory agency, or been named a defendant in litigation where there was an allegation of violation of fiduciary responsibility? If yes to either question, explain in detail.
- i. Please answer “yes” or “no” the following questions with respect to the Bidder or any related entity. If the answer is “yes” to any of the following questions, please provide a brief explanation:
 - i. Has the firm that will provide investment management services, the Bidder, a related party, or any affiliated mutual or commingled fund received an inquiry or subpoena regarding market timing, late trading, collusion with third parties, preferential fund family treatment, or a failure to supervise sales professionals?
 - ii. Is the Bidder or any related entity currently under investigation regarding market timing, late trading, collusion with third parties, preferential fund family treatment, directed brokerage payments or other sales practices?
 - iii. Have there been any settlement(s) regarding market timing, late trading, directed brokerage payments, failure to supervise representatives, or collusion with third parties?
 - iv. Have there been any other investigations, litigation, or regulatory action in relation to the investment advisory and fund businesses of the Bidder, any investment manager or any related entity or subcontractor since January 1, 2003?
- j. Please indicate whether you provide services to any student loan industry organizations or groups or whether your firm is otherwise related to any student loan industry organization or group. Please provide detailed information regarding those services. Describe how proprietary VSAC information, including market strategies, will be protected from inappropriate disclosure and use.
- k. Describe changes to your firm and related parties since January 1, 2005 involving ownership, organizational structure, and corporate-level personnel. Please also explain any anticipated changes for the year ahead.

5.1.2. Professional Qualifications and Experience

- a. If the Bidder is a consortium or will use subcontractors, please describe in detail each partner or subcontractor, their specific capabilities and responsibilities as they would pertain to the plan and how the relationships between the parties will function.

- b. Does your firm have a dedicated 529 group in place? If so, please provide the organizational structure of this group, including the number of dedicated professionals, and include resumes for each of the management professionals responsible for the business.
- c. Does your firm currently manage or otherwise provide services to a 529 plan? If so, please provide in table format the following information: the type of 529 program, number of accounts and assets, nature of your engagement and number of years of service in such engagement. If your firm does not currently manage a 529 plan please describe your experience administering similar plans for institutional clients including any 401(k) or other retirement plans
- d. If your firm is currently a 529 program manager, do the program's disclosure materials comply with the latest CSPN Disclosure Principles? If not, please explain when you expect the materials to be in compliance. Please include a copy of the latest disclosure statement from each program for which you currently serve as program manager (as **Appendix 4**).
- e. Please describe any existing relationships or pending proposals that would have a material impact on your firm or entity's ability to distribute a Vermont plan nationwide.
- f. What steps would you take to prevent conflicts with any other 529 contracts or relationships your firm or entity might have?
- g. If applicable, describe the successes your firm or entity has experienced in distributing other 529 plans. As applicable, include annual growth in both assets and accounts.
- h. Please identify all key personnel who will be responsible for performing Services including the overall business head responsible for this engagement, the day-to-day manager, the investment professional responsible for the overall investment structure, the senior-most marketing professional, and the senior-most professional(s) responsible for operations, recordkeeping and customer service. Please list names and locations; title and responsibility; total years experience; years with firm; years in current capacity; and expected percentage of time to be committed to the plan.

5.2 Investment Management

- a. How long has the Bidder been engaged in providing investment management services involving the kinds of investment options proposed in this RFP? Please describe your firm's areas of investment expertise.
- b. Please complete the following table for each underlying mutual fund that you propose to include in any age-based option, asset allocation option or as an individual mutual fund investment in the direct-sold Plan.

Fund Name				
Ticker				
AUMs (9/30/08)				

Fund Name				
Inception Date				
Benchmark				
Asset Class				
Style				
Share Class to be used in the Plan				
All Share Class Fees				
Portfolio Manager*				

* Include resume of each portfolio manager and key member of the fund's management team.

- c. Please provide five years of monthly returns for each of the funds listed in 5.2.b above on a net basis using an MS Excel spreadsheet (as **Appendix 5**). Please also include this information electronically and include the disc in **Appendix 5**.
- d. For portfolios containing multiple mutual funds, list the mutual funds included in each portfolio along with the percentage of weighting for each fund. Please also provide an appropriate benchmark against which portfolio performance will be measured. If you have used the same allocation model for portfolios in another 529 program, please indicate the name of the program and the portfolio.
- e. Please identify and provide the resume for the key investment professional assigned to VHEIP. What is the backup procedure should this professional leave the firm?
- f. Please describe the roles and responsibilities of the investment professionals assigned to each fund. Is decision-making done on a team basis or on an individual basis?
- g. Describe in detail what data, information, and advice the Bidder proposes to provide VSAC in analyzing and interpreting the investment results of the direct-sold Plan.
- h. List all changes since January 1, 2005 in personnel who directly participated in investment-related decision making processes. For each individual, please provide title, role, product involvement, date and reasons for the change. Include changes in personnel at affiliated firms that may provide investment management services to the Plan.
- i. Provide an example of an investment report similar to what you would provide to VSAC (as **Appendix 6**).
- j. Will VSAC have any proxy rights with respect to the mutual funds included in the Plan? If so, please describe.

- k. Assuming VSAC has proxy rights with respect to the mutual funds included in the Plan, please explain your firm's policies and practices regarding the timing of notification of proxy actions (including the time VSAC will have to review all proposed actions).
- l. List in table form institutional investment accounts lost since January 1, 2005, the amount, and the reason(s) the account was lost.
- m. List in table form institutional accounts won since January 1, 2005, including the assets under management, the amount of the mandate, and the asset class.
- n. Please explain how you would replace the Interest Income Option. Specifically, what investment option would you propose in its place?

5.3 Marketing and Distribution

- a. Describe your strategies and objectives for aggressively marketing and promoting the direct-sold Plan in Vermont. Please also indicate whether you will market the Plan outside of Vermont.
- b. Describe the resources other than financial that you will provide to VSAC for marketing. Please be specific in terms of the field support that will be available within Vermont to market the Plan to employers, community groups, and technical audiences (e.g., CPAs, certified financial planners, and attorneys).
- c. Explain how the Bidder will measure the success of its marketing efforts.
- d. Please indicate the Bidder's position on whether marketing materials should be submitted to FINRA and / or the MSRB when such review is not otherwise required. Please explain how much time this would build into the schedule for approval of marketing materials.
- e. Please complete the following table showing the annual marketing commitment for the direct-sold Plan in Vermont and, if applicable, nationwide. Allowable marketing expenditures are limited to the cost of producing marketing materials, acquisition of marketing media, and out-of-pocket costs associated with the acquisition of new accounts and contributions to existing accounts. Marketing expenditures will exclude administrative expenditures (such as general overhead, personnel or other allocated expenses), maintenance expenses (such as costs for program disclosure updates and other administrative communications), and the distribution costs associated with fulfillment.

Contract Year	Annual Marketing Commitment		
	Vermont	National	Total
1			
2			
3			

Contract Year	Annual Marketing Commitment		
	Vermont	National	Total
4			
5			
Total			

- f. Describe other qualified tuition programs for which the Bidder has marketing responsibility. Will the Bidder agree not to market these programs in Vermont?
- g. Describe any commitments or restrictions which would limit the Bidder's ability to offer or market the proposed plan in states other than Vermont.
- h. Please confirm your commitment to (1) share with VSAC any prospective investor lists purchased on behalf of VHEIP, (2) treat confidentially all VHEIP customer information, and (3) prohibit cross-marketing of any non-529 products to VHEIP customers.

5.4 Administration and Customer Service

- a. Describe the Bidder's experience in college savings or individual participant account administration and record keeping, including the number of years in this business, the number of accounts, the frequency and volume of individual transactions processed on a daily or other periodic basis, and the approximate dollar value of such accounts.
- b. Describe the Bidder's technical environment, including hardware, application and database software, communications equipment, and system security.
- c. Describe the Bidder's disaster recovery plan, including backup procedures, alternate operating facilities, hardware and software replacement, and testing.
- d. Describe the Bidder's account opening processes. Describe the payment options available for participants to make initial and subsequent contributions.
- e. Does the Bidder offer enrollment through the workplace? If so, please describe how contributions are processed (i.e., through payroll deduction or clearinghouse transactions), and provide the number of programs, the total number of participants, and the total number of accounts by process. Please also indicate whether payroll deduction is available to all workplaces or whether a size threshold applies for such processing. Would the employer pay any costs associated with offering the Plan through payroll deduction?
- f. Has a SAS 70 or any other performance audit been completed for the Bidder's operations? If so, please provide a copy of the latest audit report in **Appendix 7**. If not, state whether the Bidder is willing to provide a SAS 70 at its cost within the first year of the Management Agreement.
- g. Describe the Bidder's procedures to ensure confidentiality of account records.

- h. Describe the systems and tracking mechanisms that will be utilized for fulfillment requests.
- i. Describe any on-line information the Bidder will make available to VSAC, including format and frequency.
- j. Describe the Internet tools the Bidder will make available to direct-sold customers for planning, communications and account access.
- k. Describe the types, frequency and mode of customer reports or statements to be provided by the Bidder. Please describe whether the account owner will have access to account information other than account reports or statements. Provide examples of any account statements in **Appendix 8** to the proposal.
- l. Describe the Bidder's ability to retain and retrieve participant documents and correspondence, as well as history of customer contacts and other communications. What information does the Bidder propose to maintain and how?
- m. Describe the Bidder's customer service center operations, including location, staff size and experience with qualified tuition programs, training programs, and monitoring of staff for quality service.
- n. Please describe how the customer service center distinguishes between technical and non-technical requests. Will there be customer service representatives dedicated to VHEIP?
- o. What are the Bidder's customer service standards? Please describe any significant changes in customer service quality, processes, training or procedures over the last two years. How does the Bidder plan to measure and report compliance with or deviations from its customer service standards? In what way and with what frequency will the Bidder monitor customer service satisfaction?
- p. Describe the problem management and escalation procedures the Bidder will follow. How and when will complaints be resolved and how will these be reported to VSAC?

5.5 Plan Implementation

- a. Describe the procedures and processes necessary to implement the Plan, noting particularly any transition issues. Please include a timetable showing the steps and activities from execution of the Management Agreement to launch of the direct-sold Plan.
- b. Describe your firm's procedures for compliance with Section 529.
- c. Describe your firm's procedures for compliance with MSRB regulations.
- d. Please identify the legal counsel your firm will engage, if any, to assist with Management Agreement negotiations, disclosure materials, and regulatory compliance reviews, if any.
- e. Please provide a draft Management Agreement for VSAC's consideration. The draft Management Agreement should include all provisions critical to the delivery of Services

contemplated by this RFP. The draft Management Agreement will become the basis for the Management Agreement to be executed by the Program Manager and VSAC.

- f. Please indicate whether your firm offers or provides additional “value-added” services to attract new investors.
- g. Please indicate whether your firm will engage a Vermont-based or other entity to assist with Vermont legislative issues that arise during the term of the Management Agreement.
- h. If you are proposing a program management structure that does not involve a financial services firm as program manager, please explain how that structure would work in light of Section 529 requirements that a plan be established and maintained by a state entity. Please also address how your proposed structure would impact the Vermont State tax credit.

5.6 Direct-Sold Plan Fee Proposal

- a. Assuming a five-year Management Agreement term, please specify the proposed fee structure for Vermont residents who invest in the direct-sold Plan, indicating whether the fees will be all-in and fixed, variable, or some combination of both using the following chart:

Investment Option ⁵	Estimated Fund Expenses ⁶	Program Manager Fee	Total Fees
Age-Based			
Static			
Other			

- b. Please indicate if and how your fee proposal in 5.6.a would change if the term of the Management Agreement were extended beyond five years. Please be as specific as possible and provide the minimum number of contract years required to offer lower total fees from the start of a Management Agreement.
- c. Please indicate whether your fee proposal in 5.6.a would change if VSAC were either to (i) include a 10-basis point management fee itself or (ii) seek a fixed annual dollar allocation for its operating costs from the Program Manager.
- d. Please indicate whether direct-sold Plan asset-based fees will decrease in the future as the asset base increases.
- e. Please indicate the cost differences, if any, between direct investors within Vermont and non-Vermont direct investors. If you propose a different cost structure for Vermont and non-Vermont direct investors, please specify the basis for an investor's categorization (is it the account owner, the beneficiary, or both?).

⁵ Bidders should complete the Investment Option column in accordance with the investment options proposed in Sections 5.2.b and 5.2.d of this RFP.

⁶ Please provide weighted average estimated expenses as applicable.

- f. Please identify any additional expenses or fees associated with your proposal, including, for example, account opening fees, annual account maintenance fees, wire transfer fees, account change fees, etc. Please note that any fees not included in your proposal will not be considered during contract negotiations.

5.7 Advisor-Sold Plan

VSAC will welcome proposals to provide a complementary college savings plan that will be offered through financial advisors and other professionals. VSAC's decision on whether to offer an advisor-sold plan will depend, however, on the benefits such a plan will provide Vermont investors.

- a. Please describe the Bidder's experience with third party distribution, including customized account forms, access to account information, commission payment procedures, and general technical support provided.
- b. Please explain how the Bidder will distinguish an advisor-sold plan from the direct-sold Plan. Be specific with respect to investments, marketing and customer service.
- c. Please complete all items in the following chart that apply to a proposed share class structure for an advisor-sold plan, including fee-based advisors. If the Bidder is not proposing similar share classes, then mark the boxes "NA". Please note that VSAC seeks to receive sufficient funds from an advisor-sold plan to cover general and administrative expenses associated with that plan.

Share Class	Upfront Sales Load (%)	CDSC (%)	Trail	Program Management Fee		Total Fees
				Manager	VSAC	
A					0.10%	
B					0.10%	
C					0.10%	
Fee-Based Advisors					0.10%	
Other (specify)					0.10%	

- d. Please indicate whether the Bidder will offer the same share classes at a lower cost for Vermont residents than the costs described in 5.7.c.
- e. Please indicate whether break points apply to the loads indicated in 5.7.c above and at what levels. If the Bidder offers B shares, please specify the point at which such shares convert to A shares and provide all information on CDSCs (including C shares if applicable).

- f. Please modify as appropriate and complete the following table (modify the table as necessary to include A Shares breakpoints if applicable). Be sure to indicate whether different commission structures apply to specific investment options.

Share Classes	Selling Commission*	On-Going Sales Fee**
A		
B		
C		
Fee-Based Advisors		
Other (specify)		

* Based upon the amount contributed

** Based upon the average daily net assets in the account

- g. Please list the other qualified tuition programs for which the Bidder has selling or distribution agreements. Please indicate the annual sales of those programs by the Bidder's sales force (or through sales and distribution agreements) in Vermont. Will the Bidder agree not to offer those programs in Vermont absent a written acknowledgement by the investor that he or she is foregoing state tax benefits?
- h. Please complete the following table for each underlying mutual fund that you propose to include in any age-based option, asset allocation option or as an individual mutual fund investment in an advisor-sold plan.

Fund Name				
Ticker				
AUMs (6/30/08)				
Inception Date				
Benchmark				
Asset Class				
Style				
Share Class to be used in the Plan				
All Share Class Fees				
Portfolio Manager*				

* Include resume of each portfolio manager and key member of the Fund's management team.

- i. For portfolios containing multiple mutual funds, list the mutual funds included in each portfolio along with the percentage of weighting for each fund. Please also provide an appropriate benchmark against which portfolio performance will be measured. If you have used the same allocation model for portfolios in another 529 program, please indicate the name of the program and the portfolio.
- j. Please describe any fee sharing or other financial arrangements that you will establish (or already have in place) with other distributors, investment managers, subcontractors or other service providers in the management of an advisor-sold plan.
- k. In light of substantial advisor-market saturation generally in the 529 business, how would the Bidder attract new Vermont investors?

6. Evaluation Criteria

VSAC reserves the right to select a Bidder to serve as Program Manager based solely on the information provided, or to hold interviews or request proposal revisions, if deemed necessary. The Bidder selected will be chosen on the basis of VSAC's evaluation and determination of which Bidder will provide the greatest benefit to VSAC, not necessarily on the basis of lowest price. VSAC has no obligation to reveal how proposals were assessed. Therefore, proposals should contain your best cost.

During the evaluation process, VSAC, at its discretion, may request any one or all Bidders to make an oral presentation at its 10 East Allen Street office in Winooski to gain a better understanding of the Bidder's response or to obtain additional information. Not all Bidders may be asked to make such oral presentations.

VSAC will review all complete proposals received on or before 4pm on Tuesday, November 25, 2008 on the following criteria:

- Completeness of the response
- Stability and integrity of the Bidder and any related entities
- Expertise and experience of the Bidder and its personnel
- Design of the investment options
- Understanding of the Plan and its relationship to VSAC
- Distribution channels within Vermont and, if applicable, nationwide
- Quality of Plan administration and customer service
- Relative costs for the Vermont investor
- Alignment with VSAC's mission and values

7. Exhibits

Each Bidder should refer to the following Exhibits to complete its submission:

- 1 RFP Cover Sheet
- 2 Bidder Certifications
- 3 VSAC Customer Privacy Protection Requirements

Exhibit 1



**Request for Proposals
for
529 Program Manager Services
November 25, 2008**

Cover Sheet

Firm Name	
Contact Person (name/position)	
Mailing Address	
Telephone	
Fax	
E-Mail Address	
Federal Tax ID Number	
Submission Date	

This cover sheet should be attached as the first page of the proposal.

Exhibit 2

Certification and Other Terms/Conditions

The signing individual certifies that:

1. He/she is authorized to contract on behalf of the organization offering this proposal.
2. The prices in this proposal have been arrived at independently, without consultation, communication, or agreements made for the purpose of restricting competition.
3. There has been no attempt by him/her or anyone in their organization to discourage any potential applicant from submitting a proposal.
4. He/she has read and understands all of the information in this Request for Proposals.
5. The firm maintains the following insurance coverage as indicated below and will provide a certificate of insurance upon request:
 - Professional Liability of at least five million dollars (\$5,000,000)
 - Automobile Liability
 - Workers Compensation & Employers Liability, with third party coverage
6. Responsibilities under this engagement will not be delegated or subcontracted to a third party without the prior written consent of VSAC.

Signature (Name & Title)

Date

Firm Name

Exhibit 3



NOTICE OF VSAC CUSTOMER PRIVACY PROTECTION REQUIREMENTS FOR THIRD-PARTY CONTRACTS

Protecting the privacy of the personally identifiable information of VSAC's customers and employees is important to VSAC. Moreover, disclosure, use and re-use of this type of information are prohibited or restricted by a variety of federal and state laws, and these laws are evolving and changing relatively rapidly. It is VSAC's policy that personally identifiable customer information is to be used exclusively for the purpose of originating, maintaining and servicing the customer's account or other relationship with VSAC, and for no other purpose, except where a different use is authorized by law. It is also VSAC's policy that personally identifiable employee information is to be used exclusively for the purpose of performing the specific service for which a vendor has been retained, and for no other purpose, except where a different use is authorized by law.

In order for VSAC to preserve the privacy of this customer and employee information and comply with applicable laws, VSAC must obtain a written agreement from any company, individual or organization that has a contractual relationship with VSAC that gives it access to the personally identifiable information of VSAC's customers or employees. We have determined that you fall into this category. Accordingly, please review the following privacy and confidentiality agreement, and countersign it where indicated to evidence your understanding of it and your binding agreement to abide by it.

VSAC Contractor Privacy Agreement

In consideration of the contract between the undersigned contractor ("contractor") and VSAC, the contractor acknowledges and agrees that it is familiar with VSAC's privacy policy and that in the course of performing its contract with VSAC, it may have access to financial information, social security numbers, and other personally identifiable information about VSAC customers or employees (collectively, "personally identifiable information"). The contractor agrees that its use of personally identifiable information shall be restricted to the minimum necessary to perform its contract with VSAC, and that it shall not disclose, use, or re-use such information for any other purpose for the benefit of itself or anyone else, except (i) as and in the manner expressly stated in the contractor's contract or (ii) as expressly authorized by applicable law and after reasonable prior written notice to VSAC.

The contractor shall maintain appropriate safeguards to assure the confidentiality of the personally identifiable information, consistent with industry standards. These safeguards shall include reliable provisions to ensure that personally identifiable information will remain protected when it is shared with another entity to carry out the terms of the contractor's contract, where such sharing is authorized in the contractor's contract.

The contractor agrees to provide VSAC and its agents, reasonable opportunities to determine that the contractor is in compliance with this agreement.

This Agreement supplements and amends the contract between the contractor and VSAC.

Contractor Name

Dated:

By:

Duly Authorized Agent